

**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT
OF
TIMOTHY L. JOHNSON ACADEMY
ALLEN COUNTY, INDIANA
July 1, 2005 to June 30, 2007



FILED
04/25/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Ian Rolland	07-01-05 to 06-30-08
School Leader	Steven Bollier	07-01-05 to 06-30-08
President of the School Board	Mike Nickleson	07-01-05 to 06-30-08



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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TIMOTHY L. JOHNSON ACADEMY, ALLEN COUNTY, INDIANA

We have examined the financial information presented herein of the Timothy L. Johnson Academy (School Corporation), for the period of July 1, 2005 to June 30, 2007. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the School Corporation for the years ended June 30, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

February 7, 2008

TIMOTHY L. JOHNSON ACADEMY
SCHEDULE OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 721,193	\$ -	\$ 43,480	\$ (677,713)
Support services	1,003,968	8,625	107,157	(888,186)
Community services	719	-	-	(719)
Debt service	32,576	-	-	(32,576)
Total governmental activities	<u>\$ 1,758,456</u>	<u>\$ 8,625</u>	<u>\$ 150,637</u>	<u>(1,599,194)</u>
General receipts:				
Property taxes				475,835
Other local sources				31,962
State aid				1,164,814
Grants and contributions not restricted to specific programs				147,361
Sale of property, adjustments, and refunds				10,860
Investment earnings				88
Total general receipts				<u>1,830,920</u>
Change in net assets				231,726
Net assets - beginning				<u>323,796</u>
Net assets - ending				<u>\$ 555,522</u>
<u>Assets</u>				
Cash and investments				<u>\$ 555,522</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 555,522</u>

The accompanying notes are an integral part of the financial information.

TIMOTHY L. JOHNSON ACADEMY
SCHEDULE OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 782,294	\$ -	\$ 45,741	\$ (736,553)
Support services	1,110,531	4,598	104,991	(1,000,942)
Debt service	42,303	-	-	(42,303)
Total governmental activities	<u>\$ 1,935,128</u>	<u>\$ 4,598</u>	<u>\$ 150,732</u>	<u>(1,779,798)</u>
General receipts:				
Property taxes				219,895
Other local sources				25,570
State aid				953,471
Grants and contributions not restricted to specific programs				193,781
Sale of property, adjustments, and refunds				4,486
Investment earnings				41
Total general receipts				<u>1,397,244</u>
Change in net assets				(382,554)
Net assets - beginning				<u>555,522</u>
Net assets - ending				<u>\$ 172,968</u>
 <u>Assets</u>				
Cash and investments				<u>\$ 172,968</u>
 <u>Net Assets</u>				
Unrestricted				<u>\$ 172,968</u>

The accompanying notes are an integral part of the financial information.

TIMOTHY L. JOHNSON ACADEMY
SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	General	Transportation Operating	Public Charter School Grant Program	21st Century Community Learning Centers Program	Other	Totals
Receipts:						
Local sources	\$ 507,885	\$ -	\$ -	\$ -	\$ 8,625	\$ 516,510
State sources	1,209,662	-	-	-	1,668	1,211,330
Federal sources	-	-	-	44,973	206,509	251,482
Sale of property, adjustments and refunds	10,860	-	-	-	-	10,860
Total receipts	1,728,407	-	-	44,973	216,802	1,990,182
Disbursements:						
Current:						
Instruction	547,346	-	6,021	59,495	108,331	721,193
Support services	860,733	332	1,591	6,640	134,672	1,003,968
Community services	719	-	-	-	-	719
Debt services	32,576	-	-	-	-	32,576
Total disbursements	1,441,374	332	7,612	66,135	243,003	1,758,456
Excess (deficiency) of receipts over disbursements	287,033	(332)	(7,612)	(21,162)	(26,201)	231,726
Cash and investments - beginning	467,344	(9,909)	47,330	43,162	(224,131)	323,796
Cash and investments - ending	<u>\$ 754,377</u>	<u>\$ (10,241)</u>	<u>\$ 39,718</u>	<u>\$ 22,000</u>	<u>\$ (250,332)</u>	<u>\$ 555,522</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 754,377</u>	<u>\$ (10,241)</u>	<u>\$ 39,718</u>	<u>\$ 22,000</u>	<u>\$ (250,332)</u>	<u>\$ 555,522</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 754,377</u>	<u>\$ (10,241)</u>	<u>\$ 39,718</u>	<u>\$ 22,000</u>	<u>\$ (250,332)</u>	<u>\$ 555,522</u>

The accompanying notes are an integral part of the financial information.

TIMOTHY L. JOHNSON ACADEMY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Public Charter School Grant Program	21st Century Community Learning Centers Program	Other	Totals
Receipts:						
Local sources	\$ 245,506	\$ -	\$ -	\$ -	\$ 4,598	\$ 250,104
State sources	994,675	-	-	-	9,184	1,003,859
Federal sources	-	-	-	67,455	226,670	294,125
Sale of property, adjustments and refunds	4,486	-	-	-	-	4,486
Total receipts	1,244,667	-	-	67,455	240,452	1,552,574
Disbursements:						
Current:						
Instruction	699,563	-	-	40,080	42,651	782,294
Support services	904,459	-	-	7,668	198,404	1,110,531
Debt services	42,303	-	-	-	-	42,303
Total disbursements	1,646,325	-	-	47,748	241,055	1,935,128
Excess (deficiency) of receipts over disbursements	(401,658)	-	-	19,707	(603)	(382,554)
Cash and investments - beginning	754,377	(10,241)	39,718	22,000	(250,332)	555,522
Cash and investments - ending	<u>\$ 352,719</u>	<u>\$ (10,241)</u>	<u>\$ 39,718</u>	<u>\$ 41,707</u>	<u>\$ (250,935)</u>	<u>\$ 172,968</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 352,719</u>	<u>\$ (10,241)</u>	<u>\$ 39,718</u>	<u>\$ 41,707</u>	<u>\$ (250,935)</u>	<u>\$ 172,968</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 352,719</u>	<u>\$ (10,241)</u>	<u>\$ 39,718</u>	<u>\$ 41,707</u>	<u>\$ (250,935)</u>	<u>\$ 172,968</u>

The accompanying notes are an integral part of the financial information.

TIMOTHY L. JOHNSON ACADEMY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation provides educational services.

Note 2. Fund Accounting

A. Government-Wide and Fund Financial Schedules

Government-Wide Financial Schedules

The Schedules of Activities and Net Assets - Cash and Investment Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, inter-governmental revenues, and other nonexchange revenues.

Fund Financial Schedules

Fund financial schedules of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial schedules are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial schedules. However, at this time, the School Corporation has not established any enterprise funds or fiduciary funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The public charter school grant program fund accounts for grant resources used to implement charter school programs.

The 21st century community learning centers program fund accounts for grant resources used to implement charter school programs.

TIMOTHY L. JOHNSON ACADEMY
NOTES TO FINANCIAL INFORMATION
(Continued)

B. Measurement Focus and Basis of Accounting

The government-wide and governmental fund financial schedules are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial schedules.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial schedules.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

Note 3. Budgets

The operating budget is prepared and approved at the local level.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TIMOTHY L. JOHNSON ACADEMY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006

	Special Education Preschool	School Lunch	Textbook	Professional Development	Title I	Title V	Title IIA	Title IID	Totals
Receipts:									
Local sources	\$ -	\$ 8,625	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,625
State sources	1,375	293	-	-	-	-	-	-	1,668
Federal sources	-	105,496	-	-	99,592	1,421	-	-	206,509
Total receipts	1,375	114,414	-	-	99,592	1,421	-	-	216,802
Disbursements:									
Current:									
Instruction	-	-	162	6,841	101,328	-	-	-	108,331
Support services	-	120,944	-	3,512	2,302	1,208	6,706	-	134,672
Total disbursements	-	120,944	162	10,353	103,630	1,208	6,706	-	243,003
Excess (deficiency) of receipts over disbursements	1,375	(6,530)	(162)	(10,353)	(4,038)	213	(6,706)	-	(26,201)
Cash and investments - beginning	-	(112,767)	(32,277)	(4,935)	(56,770)	(2,917)	(14,356)	(109)	(224,131)
Cash and investments - ending	\$ 1,375	\$ (119,297)	\$ (32,439)	\$ (15,288)	\$ (60,808)	\$ (2,704)	\$ (21,062)	\$ (109)	\$ (250,332)
<u>Cash and Investment Assets - Ending</u>									
Cash and investments	\$ 1,375	\$ (119,297)	\$ (32,439)	\$ (15,288)	\$ (60,808)	\$ (2,704)	\$ (21,062)	\$ (109)	\$ (250,332)
<u>Cash and Investment Fund Balance - Ending</u>									
Unrestricted	\$ 1,375	\$ (119,297)	\$ (32,439)	\$ (15,288)	\$ (60,808)	\$ (2,704)	\$ (21,062)	\$ (109)	\$ (250,332)

TIMOTHY L. JOHNSON ACADEMY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Education Preschool	School Lunch	Textbook	Professional Development	Title I	Title V	Title IIA	Title IID	Totals
Receipts:									
Local sources	\$ -	\$ 4,598	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,598
State sources	3,076	285	1,286	4,537	-	-	-	-	9,184
Federal sources	-	103,420	-	-	120,457	1,438	-	1,355	226,670
Total receipts	3,076	108,303	1,286	4,537	120,457	1,438	-	1,355	240,452
Disbursements:									
Current:									
Instruction	-	-	4,620	622	37,409	-	-	-	42,651
Support services	-	127,774	-	3,915	57,793	-	4,147	4,775	198,404
Total disbursements	-	127,774	4,620	4,537	95,202	-	4,147	4,775	241,055
Excess (deficiency) of receipts over disbursements	3,076	(19,471)	(3,334)	-	25,255	1,438	(4,147)	(3,420)	(603)
Cash and investments - beginning	1,375	(119,297)	(32,439)	(15,288)	(60,808)	(2,704)	(21,062)	(109)	(250,332)
Cash and investments - ending	\$ 4,451	\$ (138,768)	\$ (35,773)	\$ (15,288)	\$ (35,553)	\$ (1,266)	\$ (25,209)	\$ (3,529)	\$ (250,935)
<u>Cash and Investment Assets - Ending</u>									
Cash and investments	\$ 4,451	\$ (138,768)	\$ (35,773)	\$ (15,288)	\$ (35,553)	\$ (1,266)	\$ (25,209)	\$ (3,529)	\$ (250,935)
<u>Cash and Investment Fund Balance - Ending</u>									
Unrestricted	\$ 4,451	\$ (138,768)	\$ (35,773)	\$ (15,288)	\$ (35,553)	\$ (1,266)	\$ (25,209)	\$ (3,529)	\$ (250,935)

TIMOTHY L. JOHNSON ACADEMY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2007

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Machinery and equipment	<u>\$ 34,869</u>

TIMOTHY L. JOHNSON ACADEMY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2007

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities: Notes and loans payable	\$ <u>307,299</u>	\$ <u>28,967</u>

TIMOTHY L. JOHNSON ACADEMY
EXAMINATION RESULTS AND COMMENTS

PRESCRIBED FORMS

Receipts are in use, but the receipts are not prenumbered and are not in duplicate.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

A contractual employee was not issued Internal Revenue Service Form 1099 for amounts paid in years 2005 and 2006, \$6,338 and \$8,988, respectively.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

TIMOTHY L. JOHNSON ACADEMY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OFFICIAL BOND

The Treasurer did not have an official bond until February 16, 2007.

Indiana Code 20-26-4-5 states in part: "For each school year commencing July 1, the treasurer of each governing body . . . shall give a bond for the faithful performance of the treasurer's duties . . ."

OVERDRAWN FUND BALANCES

The Transportation Operating Fund, School Lunch, Textbook, Professional Development, Title I, Title V, Title IIA, and Title IID Funds were overdrawn as of June 30, 2006 and June 30, 2007.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TIMOTHY L. JOHNSON ACADEMY
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2008, in person with Ian Rolland, Treasurer; and Steven Bollier, School Leader; and via video conference with Don Ash of the Leona Group. The officials concurred with our findings.